

2010 -- H 8270

LC02930

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO MAKING APPROPRIATIONS IN SUPPORT OF FY 2011

Introduced By: Representatives Costantino, Melo, and Carter

Date Introduced: June 09, 2010

Referred To: House Finance

It is enacted by the General Assembly as follows:

1           SECTION 1. Notwithstanding the provisions of 2010-H 7397 Substitute A, as amended,  
2   Article 1 entitled "Relating to Making Appropriations in Support of FY 2011" is hereby amended  
3   on page on page 1, line 21, to change the number "2,077,066" to the number "2,007,066", and is  
4   further amended on page 2, line 18, to change the number "3,776,902" to the number  
5   "3,776,092".

6           SECTION 2. Section 40-8-13.4 of the General Laws in Chapter 40-8 entitled "Medical  
7   Assistance" is hereby amended to read as follows:

8           **40-8-13.4. Rate methodology for payment for in state and out of state hospital**  
9   **services.** -- (a) The department of human services shall implement a new methodology for  
10   payment for in state and out of state hospital services in order to ensure access to and the  
11   provision of high quality and cost-effective hospital care to its eligible recipients.

12           (b) In order to improve efficiency and cost effectiveness, the department of human  
13   services shall:

14           (1)(A) With respect to inpatient services for persons in fee for service Medicaid, which  
15   is non-managed care, implement a new payment methodology for inpatient services utilizing the  
16   Diagnosis Related Groups (DRG) method of payment, which is, a patient classification method  
17   which provides a means of relating payment to the hospitals to the type of patients cared for by  
18   the hospitals. It is understood that a payment method based on Diagnosis Related Groups may  
19   include cost outlier payments and other specific exceptions. The department will review the DRG

1 payment method and the DRG base price annually, making adjustments as appropriate in  
2 consideration of such elements as trends in hospital input costs, patterns in hospital coding,  
3 beneficiary access to care, and the Center for Medicare and Medicaid Services national CMS  
4 Prospective Payment System (IPPS) Hospital Input Price index.

5 ~~(B) With respect to inpatient services for persons enrolled in Medicaid managed care~~  
6 ~~plans, it is required effective January 1, 2011, that: (i) Medicaid managed care payment rates to~~  
7 ~~any hospital, in aggregate on a case mix adjusted basis (adjusting payment for a beneficiary's~~  
8 ~~condition and needs), shall not exceed one hundred and ten percent (110%) of that hospital's~~  
9 ~~Medicaid payment rates. (ii) Medicaid managed care payment rates between each hospital and~~  
10 ~~health plan shall not exceed contracted payment rates between the hospital and the health plan~~  
11 ~~that were in effect during calendar year 2009 as adjusted by the Center for Medicare and~~  
12 ~~Medicaid Services national CMS Prospective Payment System (IPPS) Hospital Input Price index~~  
13 ~~as measured annually and using calendar year 2009 as a base year. Calculation of each hospital's~~  
14 ~~aggregate payment rates on a case mix adjusted basis, shall be based using a single statewide rate~~  
15 ~~schedule notwithstanding hospital specific rates that may be paid on a transitional basis under~~  
16 ~~fee for service Medicaid; (iii) all hospitals licensed in Rhode Island shall accept such payment~~  
17 ~~rates as payment in full; and (iv) for all such hospitals, compliance with the provisions of this~~  
18 ~~section shall be a condition of participation in the Rhode Island Medicaid program.~~

19 ~~(2) With respect to outpatient services and notwithstanding any provisions of the law to~~  
20 ~~the contrary, for persons enrolled in fee for service Medicaid, the department will reimburse~~  
21 ~~hospitals for outpatient services using a rate methodology determined by the department and in~~  
22 ~~accordance with federal regulations. The department will adjust payment rates annually to reflect~~  
23 ~~CMS adjustments.~~

24 (B) With respect to inpatient services, (i) it is required as of January 1, 2011 until  
25 December 31, 2011, that the Medicaid managed care payment rates between each hospital and  
26 health plan shall not exceed ninety and one tenth percent (90.1%) of the rate in effect as of June  
27 30, 2010. Negotiated increases in inpatient hospital payments for the twelve (12) month period  
28 beginning January 1, 2012 may not exceed the Centers for Medicare and Medicaid Services  
29 national CMS Prospective Payment System (IPPS) Hospital Input Price index for the applicable  
30 period; (ii) The Rhode Island department of human services will develop an audit methodology  
31 and process to assure that savings associated with the payment reductions will accrue directly to  
32 the Rhode Island Medicaid program through reduced managed care plan payments and shall not  
33 be retained by the managed care plans; (iii) All hospitals licensed in Rhode Island shall accept  
34 such payment rates as payment in full; and (iv) for all such hospitals, compliance with the

1 provisions of this section shall be a condition of participation in the Rhode Island Medicaid  
2 program.

3 (2) With respect to outpatient services and notwithstanding any provisions of the law to  
4 the contrary, for persons enrolled in fee for service Medicaid, the department will reimburse  
5 hospitals for outpatient services using a rate methodology determined by the department and in  
6 accordance with federal regulations. With respect to the outpatient rate, it is required as of  
7 January 1, 2011 until December 31, 2011, that the Medicaid managed care payment rates between  
8 each hospital and health plan shall not exceed one hundred percent (100%) of the rate in effect as  
9 of June 30, 2010.

10 (c) It is intended that payment utilizing the Diagnosis Related Groups method shall  
11 reward hospitals for providing the most efficient care, and provide the department the opportunity  
12 to conduct value based purchasing of inpatient care.

13 (d) The director of the department of human services and/or the secretary of executive  
14 office of health and human services is hereby authorized to promulgate such rules and regulations  
15 consistent with this chapter, and to establish fiscal procedures he or she deems necessary for the  
16 proper implementation and administration of this chapter in order to provide payment to hospitals  
17 using the Diagnosis Related Group payment methodology. Furthermore, amendment of the  
18 Rhode Island state plan for medical assistance (Medicaid) pursuant to Title XIX of the federal  
19 Social Security Act is hereby authorized to provide for payment to hospitals for services provided  
20 to eligible recipients in accordance with this chapter.

21 (e) The department shall comply with all public notice requirements necessary to  
22 implement these rate changes.

23 (f) As a condition of participation in the DRG methodology for payment of hospital  
24 services, every hospital shall submit year-end settlement reports to the department within one  
25 year from the close of a hospital's fiscal year. Should a participating hospital fail to timely submit  
26 a year-end settlement report as required by this section, the department shall withhold financial  
27 cycle payments due by any state agency with respect to this hospital by not more than ten percent  
28 (10%) until said report is submitted.

29 (g) The provisions of this section shall be effective upon implementation of the  
30 amendments and new payment methodology pursuant to this section and section 40-8-13.3, which  
31 shall in any event be no later than March 30, 2010, at which time the provisions of §§ 40-8-13.2,  
32 27-19-14, 27-19-15 and 27-19-16 shall be repealed in their entirety.

33 (h) The director of the Department of Human Services shall establish an independent  
34 study commission comprised of representatives of the hospital network, representatives from the

1 communities the hospitals serve, state and local policy makers and any other stakeholders or  
2 consumers interested in improving the access and affordability of hospital care.

3 The study commission shall assist the director in identifying: issues of concern and  
4 priorities in the community hospital system, the delivery of services and rate structures, including  
5 graduate medical education and training programs; and opportunities for building sustainable and  
6 effective public-private partnerships that support the missions of the department and the state's  
7 community hospitals.

8 The director of the Department of Human Services shall report to the chairpersons of the  
9 House and Senate Finance Committees the findings and recommendations of the study  
10 commission by December 31, 2010.

11 SECTION 3. Sections 44-34.1-1 and 44-34.1-2 of the General Laws in Chapter 44-34.1  
12 entitled "Motor Vehicle and Trailer Excise Tax Elimination Act of 1998" are hereby amended to  
13 read as follows:

14 **44-34.1-1. Excise tax phase-out.** -- (a) (1) Notwithstanding the provisions of chapter 34  
15 of this title or any other provisions to the contrary, the motor vehicle and trailer excise tax  
16 established by section 44-34-1 may be phased out. The phase-out shall apply to all motor vehicles  
17 and trailers, including leased vehicles.

18 (2) Lessors of vehicles that pay excise taxes directly to municipalities shall provide  
19 lessees, at the time of entering into the lease agreement, an estimate of annual excise taxes  
20 payable throughout the term of the lease. In the event the actual excise tax is less than the  
21 estimated excise tax, the lessor shall annually rebate to the lessee the difference between the  
22 actual excise tax and the estimated excise tax.

23 (b) Pursuant to the provisions of this section, all motor vehicles shall be assessed a value  
24 by the vehicle value commission. That value shall be assessed according to the provisions of  
25 section 44-34-11(c)(1) and in accordance with the terms as defined in subsection (d) of this  
26 section; provided, however, that the maximum taxable value percentage applicable to model year  
27 values as of December 31, 1997, shall continue to be applicable in future year valuations aged by  
28 one year in each succeeding year.

29 (c) (1) The motor vehicle excise tax phase-out shall commence with the excise tax bills  
30 mailed to taxpayers for the fiscal year 2000. The phase-out, beyond fiscal year 2003, shall be  
31 subject to annual review and appropriation by the general assembly. The tax assessors of the  
32 various cities and towns and fire districts shall reduce the average retail value of each vehicle  
33 assessed by using the prorated exemptions from the following table:

34 Local Fiscal Year State fiscal year

1           Exempt from value Local Exemption Reimbursement  
2           fiscal year 1999 0 \$1,500  
3           fiscal year 2000 \$1,500 \$2,500  
4           fiscal year 2001 \$2,500 \$3,500  
5           fiscal year 2002 \$3,500 \$4,500  
6           fiscal years 2003, 2004  
7           and 2005 \$4,500 \$4,500  
8           for fiscal year 2006 and \$5,000 \$5,000  
9           for fiscal year 2007 \$6,000 \$6,000  
10          for fiscal years 2008, 2009 and 2010 the exemption and the state fiscal year  
11 reimbursement shall be increased, at a minimum, to the maximum amount to the nearest two  
12 hundred and fifty dollar (\$250) increment within the allocation of one and twenty-two hundredths  
13 percent (1.22%) of net terminal income derived from video lottery games pursuant to the  
14 provisions of section 42-61-15, and in no event shall the exemption in any fiscal year be less than  
15 the prior fiscal year.  
16          for fiscal year 2011 and thereafter, the exemption shall be five hundred dollars (\$500).  
17 Cities and towns may provide an additional exemption ~~of five thousand five hundred dollars~~  
18 ~~(\$5,500) or more~~; provided, however, any such additional exemption shall not be subject to  
19 reimbursement.  
20          (2) The excise tax phase-out shall provide levels of assessed value reductions until the tax  
21 is eliminated or reduced as provided in this chapter.  
22          (3) Current exemptions shall remain in effect as provided in this chapter.  
23          (4) The excise tax rates and ratios of assessment shall be maintained at a level identical to  
24 the level in effect for fiscal year 1998 for each city, town, and fire district; provided, in the town  
25 of Johnston the excise tax rate and ratios of assessment shall be maintained at a level identical to  
26 the level in effect for fiscal year 1999 levels and the levy of a city, town, or fire district shall be  
27 limited to the lesser of the maximum taxable value or net assessed value for purposes of  
28 collecting the tax in any given year. Provided, however, for fiscal year 2011 and thereafter, the  
29 rates and ratios of assessment may be less than but not more than the rates described in this  
30 subsection (4).  
31          (d) Definitions.  
32          (1) "Maximum taxable value" means the value of vehicles as prescribed by section 44-34-  
33 11 reduced by the percentage of assessed value applicable to model year values as determined by  
34 the Rhode Island vehicle value commission as of December 31, 1997, for the vehicles valued by

1 the commission as of December 31, 1997. For all vehicle value types not valued by the Rhode  
2 Island vehicle value commission as of December 31, 1997, the maximum taxable value shall be  
3 the latest value determined by a local assessor from an appropriate pricing guide, multiplied by  
4 the ratio of assessment used by that city, town, or fire district for a particular model year as of  
5 December 31, 1997.

6 (2) "Net assessed value" means the motor vehicle values as determined in accordance  
7 with section 44-34-11 less all personal exemptions allowed by cities, towns, fire districts, and the  
8 state of Rhode Island exemption value as provided for in section 44-34.1-1(c)(1).

9 (e) If any provision of this chapter shall be held invalid by any court of competent  
10 jurisdiction, the remainder of this chapter and the applications of the provisions hereof shall not  
11 be effected thereby.

12 **44-34.1-2. City and town and fire district reimbursement.** -- (a) In fiscal years 2000  
13 and thereafter, cities and towns and fire districts shall receive reimbursements, as set forth in this  
14 section, from state general revenues equal to the amount of lost tax revenue due to the phase out  
15 or reduction of the excise tax. Cities and towns and fire districts shall receive advance  
16 reimbursements through state fiscal year 2002. In the event the tax is phased out, cities and towns  
17 and fire districts shall receive a permanent distribution of sales tax revenue pursuant to section  
18 44-18-18 in an amount equal to any lost revenue resulting from the excise tax elimination. Lost  
19 revenues must be determined using a base tax rate fixed at fiscal year 1998 levels for each city,  
20 town, and fire district, except that the Town of Johnston's base tax rate must be fixed at a fiscal  
21 year 1999 level. Provided, however, for fiscal year 2011 and thereafter, the base tax rate may be  
22 less than but not more than the rates described in this subsection (a).

23 (b) (1) The director of administration shall determine the amount of general revenues to  
24 be distributed to each city and town and fire district for the fiscal years 1999 and thereafter so that  
25 every city and town and fire district is held harmless from tax loss resulting from this chapter,  
26 assuming that tax rates are indexed to inflation through fiscal year 2003.

27 (2) The director of administration shall index the tax rates for inflation by applying the  
28 annual change in the December Consumer Price Index -- All Urban Consumers (CPI-U),  
29 published by the Bureau of Labor Statistics of the United States Department of Labor, to the  
30 indexed tax rate used for the prior fiscal year calculation; provided, that for state reimbursements  
31 in fiscal years 2004 and thereafter, the indexed tax rate shall not be subject to further CPI-U  
32 adjustments. The director shall apply the following principles in determining reimbursements:

33 (i) Exemptions granted by cities and towns and fire districts in the fiscal year 1998 must  
34 be applied to assessed values prior to applying the exemptions in section 44-34.1-1(c)(1). Cities

1 and towns and fire districts will not be reimbursed for these exemptions.

2 (ii) City, town, and fire districts shall be reimbursed by the state for revenue losses  
3 attributable to the exemptions provided for in section 44-34.1-1 and the inflation indexing of tax  
4 rates through fiscal 2003. Reimbursement for revenue losses shall be calculated based upon the  
5 difference between the maximum taxable value less personal exemptions and the net assessed  
6 value.

7 (iii) Inflation reimbursements shall be the difference between:

8 (A) The levy calculated at the tax rate used by each city and town and fire district for  
9 fiscal year 1998 after adjustments for personal exemptions but prior to adjustments for  
10 exemptions contained in section 44-34.1-1(c)(1); provided, that for the town of Johnston the tax  
11 rate used for fiscal year 1999 must be used for the calculation; and

12 (B) The levy calculated by applying the appropriate cumulative inflation adjustment  
13 through state fiscal 2003 to the tax rate used by each city and town and fire district for fiscal year  
14 1998; provided, that for the town of Johnston the tax rate used for fiscal year 1999 shall be used  
15 for the calculation after adjustments for personal exemptions but prior to adjustments for  
16 exemptions contained in section 44-34.1-1.

17 (c) (1) Funds shall be distributed to the cities and towns and fire districts as follows:

18 (i) On October 20, 1998, and each October 20 thereafter through October 20, 2001,  
19 twenty-five percent (25%) of the amount calculated by the director of administration to be the  
20 difference for the upcoming fiscal year.

21 (ii) On February 20, 1999, and each February 20 thereafter through February 20, 2002,  
22 twenty-five percent (25%) of the amount calculated by the director of administration to be the  
23 difference for the upcoming fiscal year.

24 (iii) On June 20, 1999, and each June 20 thereafter through June 20, 2002, fifty percent  
25 (50%) of the amount calculated by the director of administration to be the difference for the  
26 upcoming fiscal year.

27 (iv) On August 1, 2002, and each August 1 thereafter, twenty-five percent (25%) of the  
28 amount calculated by the director of administration to be the difference for the current fiscal year.

29 (v) On November 1, 2002, and each November 1 thereafter, twenty-five percent (25%)  
30 of the amount calculated by the director of administration to be the difference for the current  
31 fiscal year.

32 (vi) On February 1, 2003, and each February 1 thereafter, twenty-five percent (25%) of  
33 the amount calculated by the director of administration to be the difference for the current fiscal  
34 year.

1 (vii) On May 1, 2003, and each May 1 thereafter, except May 1, 2010, twenty-five  
2 percent (25%) of the amount calculated by the director of administration to be the difference for  
3 the current fiscal year.

4 (viii) On June 15, 2010, twenty-five percent (25%) of the amount calculated by the  
5 director of administration to be the difference for the current fiscal year.

6 Provided, however, the February and May payments, and June payment in 2010, shall be  
7 subject to submission of final certified and reconciled motor vehicle levy information.

8 (2) Each city, town, or fire district shall submit final certified and reconciled motor  
9 vehicle levy information by August 30 of each year. Any adjustment to the estimated amounts  
10 paid in the previous fiscal year shall be included or deducted from the payment due November 1.

11 (3) On any of the payment dates specified in paragraphs (1)(i) through (vii) of this  
12 subsection, the director is authorized to deduct previously made over-payments or add  
13 supplemental payments as may be required to bring the reimbursements into full compliance with  
14 the requirements of this chapter.

15 (4) For the city of East Providence, the payment schedule is twenty-five percent (25%)  
16 on February 20, 1999, and each February 20 thereafter through February 20, 2002, twenty-five  
17 percent (25%) on June 20, 1999, and each June 20 thereafter through June 20, 2002, which  
18 includes final reconciliation of the previous year's payment, and fifty percent (50%) on October  
19 20, 1999, and each October 20 thereafter through October 20, 2002. For local fiscal years 2003  
20 and thereafter, the payment schedule is twenty-five percent (25%) on each November 1, twenty-  
21 five percent (25%) on each February 1, twenty-five percent (25%) on each May 1, which includes  
22 final reconciliation of the previous year's payment, and twenty-five percent (25%) on each  
23 August 1; provided, the May and August payments shall be subject to submission of final  
24 certified and reconciled motor vehicle levy information.

25 (5) When the tax is phased out, funds distributed to the cities, towns, and fire districts for  
26 the following fiscal year shall be calculated as the funds distributed in the fiscal year of the phase-  
27 out. Twenty-five percent (25%) of the amounts calculated shall be distributed to the cities and  
28 towns and fire districts on August 1, in the fiscal year of the phase-out, twenty-five percent (25%)  
29 on the following November 1, twenty-five percent (25%) on the following February 1, and  
30 twenty-five percent (25%) on the following May 1. The funds shall be distributed to each city and  
31 town and fire district in the same proportion as distributed in the fiscal year of the phase-out.

32 (6) When the tax is phased out to August 1, of the following fiscal year the director of  
33 administration shall calculate to the nearest tenth of one cent (\$.001) the number of cents of sales  
34 tax received for the fiscal year ending June 30, of the year following the phase-out equal to the



1 amount of funds distributed to the cities, towns, and fire districts under this chapter during the  
2 fiscal year following the phase-out and the percent of the total funds distributed in the fiscal year  
3 following the phase-out received by each city, town, and fire district, calculated to the nearest  
4 one-hundredth of one percent (0.01%). The director of the department of administration shall  
5 transmit those calculations to the governor, the speaker of the house, the president of the senate,  
6 the chairperson of the house finance committee, the chairperson of the senate finance committee,  
7 the house fiscal advisor, and the senate fiscal advisor. The number of cents, applied to the sales  
8 taxes received for the prior fiscal year, shall be the basis for determining the amount of sales tax  
9 to be distributed to the cities and towns and fire districts under this chapter for second fiscal year  
10 following the phase-out and each year thereafter. The cities and towns and fire districts shall  
11 receive that amount of sales tax in the proportions calculated by the director of administration as  
12 that received in the fiscal year following the phase-out.

13 (7) When the tax is phased out, twenty-five percent (25%) of the funds shall be  
14 distributed to the cities, towns, and fire districts on August 1, of the following fiscal year and  
15 every August 1 thereafter; twenty-five percent (25%) shall be distributed on the following  
16 November 1, and every November 1 thereafter; twenty-five percent (25%) shall be distributed on  
17 the following February 1, and every February 1 thereafter; and twenty-five percent (25%) shall be  
18 distributed on the following May 1, and every May 1 thereafter.

19 (8) For the city of East Providence, in the event the tax is phased out, twenty-five percent  
20 (25%) shall be distributed on November 1, of the following fiscal year and every November 1  
21 thereafter, twenty-five percent (25%) shall be distributed on the following February 1, and every  
22 February 1 thereafter; twenty-five percent (25%) shall be distributed on the following May 1, and  
23 every May 1 thereafter; and twenty-five percent (25%) of the funds shall be distributed on the  
24 following August 1, and every August 1 thereafter.

25 (9) As provided for in section 44-34-6, the authority of fire districts to tax motor vehicles  
26 is eliminated effective with the year 2000 tax roll and the state reimbursement for fire districts  
27 shall be based on the provisions of section 44-34-6. All references to fire districts in this chapter  
28 do not apply to the year 2001 tax roll and thereafter.

29 (10) For reimbursements payable in the year ending June 30, 2008 and thereafter, the  
30 director of administration shall discount the calculated value of the exemption to ninety-eight  
31 percent (98%) in order to establish a collection rate that is comparable to the collection rate  
32 achieved by municipalities in the levy of the motor vehicle excise tax.

33 (11) For reimbursements payable in the year ending June 30, 2010, the director of  
34 administration shall reimburse cities and towns eighty-eight percent (88%) of the reimbursements

1 payable pursuant to subdivision (c)(10) above.

2 (12) For fiscal year 2011 and thereafter, the state shall reimburse cities and towns for the  
3 exemption pursuant to subdivision (c)(10) above, ratably reduced to the appropriation.

4 SECTION 4. Section 44-34-6 of the General Laws in Chapter 44-34 entitled "Excise on  
5 Motor Vehicles and Trailers" is hereby amended to read as follows:

6 **44-34-6. Fire districts.** -- The provisions of this chapter shall apply in all respects in the  
7 case of taxes assessed upon motor vehicles by any fire district. Effective with the year 2000 tax  
8 roll based upon values of December 31, 1999, the authority of fire districts as authorized by  
9 general or public law to levy excise taxes on motor vehicles is eliminated and each district shall  
10 be reimbursed for one hundred percent (100%) of current year lost revenues through fiscal year  
11 2010 based upon what the levy net of personal exemptions would otherwise have been. That  
12 reimbursement shall be based upon submission of information to the department of revenue on  
13 the dates specified in section 44-34.1-2, and reimbursements shall be paid on the dates specified  
14 in that section. Future year reimbursements through fiscal year 2010 shall be based upon the year  
15 2000 tax roll and values of December 31, 1999, and indexed by applying the annual change in the  
16 December Consumer Price Index -- All Urban Consumers (CPI-U). For fiscal year 2011 and  
17 thereafter the state shall not reimburse fire districts pursuant to this chapter. Provided, for fiscal  
18 year 2011, and thereafter, the authority of fire districts to levy excise taxes shall be deemed  
19 restored. The year 2010 tax roll shall be based upon values of December 31, 2009, with  
20 corresponding adjustments made for each subsequent year based on the valuation of vehicles as  
21 of December 31 of the year preceding the tax year.

22 SECTION 5. This article shall take effect upon passage.

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LC02930  
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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO MAKING APPROPRIATIONS IN SUPPORT OF FY 2011

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- 1           This act would make technical corrections to the fiscal year 2011 budget.
- 2           This act would take effect upon passage.

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LC02930  
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